



General Assembly

January Session, 2007

Raised Bill No. 6953

LCO No. 1457

01457_____BA_

Referred to Committee on Banks

Introduced by:
(BA)

***AN ACT ENSURING THE COMPETENCE AND INTEGRITY OF
BROKERS AND ORIGINATORS SERVING THE FIRST MORTGAGE
RESIDENTIAL LENDING INDUSTRY.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-486 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2007*):

3 (a) No person shall engage in the business of making first mortgage
4 loans or act as a first mortgage broker in this state unless such person
5 has first obtained the required license in accordance with the
6 provisions of sections 36a-485 to 36a-498a, inclusive. A first mortgage
7 correspondent lender shall not be deemed to be acting as a first
8 mortgage lender if such first mortgage correspondent lender makes a
9 loan utilizing its own funds in a situation where another person does
10 not honor such person's commitment to fund the loan.

11 (b) No licensee shall employ or retain an originator (1) without first
12 registering such originator under sections 36a-485 to 36a-498a,
13 inclusive, provided such registration shall not be required for any
14 originator who is registered by such licensee under sections 36a-510 to

15 36a-524, inclusive, or (2) who is not in compliance with the educational
16 requirements of subsection (e) of section 36a-488, as amended by this
17 act. No individual may act as an originator without being registered,
18 or act as an originator, as defined in sections 36a-485 and 36a-510, for
19 more than one person. The registration of an originator is not effective
20 during any period when such originator is not associated with a
21 licensee. Both the originator and the licensee shall promptly notify the
22 commissioner, in writing, of the termination of employment or services
23 of an originator.

24 (c) Each first mortgage loan negotiated, solicited, placed, found or
25 made (1) without a license or registration, or (2) by an originator who
26 is not in compliance with the educational requirements of subsection
27 (e) of section 36a-488, as amended by this act, shall constitute a
28 separate violation for purposes of section 36a-50.

29 Sec. 2. Section 36a-488 of the general statutes is repealed and the
30 following is substituted in lieu thereof (*Effective October 1, 2007*):

31 (a) (1) The commissioner shall not issue a license as a first mortgage
32 lender, a first mortgage correspondent lender or a first mortgage
33 broker to any person unless such person meets the following tangible
34 net worth and experience requirements, as applicable: (A) The
35 minimum tangible net worth requirement for a first mortgage lender
36 shall be two hundred fifty thousand dollars and the minimum tangible
37 net worth requirement for a first mortgage correspondent lender and a
38 first mortgage broker shall be twenty-five thousand dollars, and (B) a
39 mortgage lender shall have, at the location for which the license is
40 sought, a person with supervisory authority over the lending activities
41 who has at least three years' experience in the mortgage lending
42 business within the five years immediately preceding the application
43 for the license and a first mortgage broker shall have, at the location
44 for which the license is sought, a person with supervisory authority
45 over the brokerage activities who has at least three years' experience in
46 the mortgage lending or mortgage brokerage business within the five

47 years immediately preceding the application for the license, provided
48 such experience requirements shall not apply to any person whose
49 license is renewed effective October 1, 2002.

50 (2) Each licensee shall maintain the net worth required by this
51 subsection and shall promptly notify the commissioner if such
52 licensee's net worth falls below the net worth required by this
53 subsection.

54 (b) The commissioner may issue a first mortgage lender license, a
55 first mortgage correspondent lender license, or a first mortgage broker
56 license. Each first mortgage lender licensee may also act as a first
57 mortgage correspondent lender and a first mortgage broker, and each
58 first mortgage correspondent lender licensee may also act as a first
59 mortgage broker. An application for a license or renewal of such
60 license shall be made under oath and on a form provided by the
61 commissioner. The application shall include: (1) The type of license
62 sought; (2) the name and address of the applicant; (3) the location for
63 which the license is sought; (4) the name and address of each member,
64 partner, officer, director, authorized agent and shareholder owning ten
65 per cent or more of the outstanding stock, as applicable; (5) if the
66 applicant is a trust or the lead lender in one or more participation
67 loans, the name and address of each trustee or lead lender and each
68 beneficiary of the trust or other participant lenders in all outstanding
69 participation loans; (6) a financial statement as of a date not more than
70 six months prior to the filing of the application which reflects tangible
71 net worth, and if such financial statement is unaudited, the proprietor,
72 general partner, or duly authorized officer, trustee or member shall
73 swear to its accuracy under oath before a notary public; (7) evidence
74 that the person with supervisory authority over the lending or
75 brokerage activities at the location for which the license is sought
76 meets the experience required by subsection (a) of this section; (8) an
77 application for registration of each originator or prospective originator
78 of the applicant at such location; [and] (9) a certification by the
79 applicant that each originator of the applicant since October 1, 2007,

80 has been continuously registered and has complied with the
81 educational requirements of subsection (e) of this section; (10) in the
82 case of an applicant for an initial first mortgage broker's license, a copy
83 of a certificate of completion of the course requirements specified in
84 subsection (d) of this section; and (11) such other information
85 pertaining to the applicant, the applicant's background, the
86 background of its principals and employees, and the applicant's
87 activities as the commissioner may require.

88 (c) An application for registration of an originator or renewal of
89 such registration shall be made on a form provided by the
90 commissioner. Such application shall be accompanied by a copy of a
91 current certificate of completion of the course requirements specified
92 in subsection (d) of this section.

93 (d) Each applicant for an initial first mortgage broker's license shall
94 prove to the satisfaction of the commissioner that the applicant has,
95 within one year prior to filing the application, obtained a certificate of
96 completion, from a school approved by the commissioner, of at least
97 twelve classroom hours of study, as determined by the commissioner,
98 covering Connecticut and federal lending laws.

99 (e) Each application to register an originator shall be accompanied
100 by proof to the satisfaction of the commissioner that the originator has,
101 within one year prior to filing the application, obtained a certificate of
102 completion, from a school approved by the commissioner of at least
103 twelve classroom hours of study, as determined by the commissioner,
104 covering Connecticut and federal lending laws.

105 (f) The commissioner may adopt such regulations, in accordance
106 with chapter 54, as the commissioner deems necessary relating to the
107 approval of schools, programs and instructors offering courses in
108 mortgage origination and brokering principles and practices covering
109 Connecticut and federal lending laws and related subjects, the content
110 of such courses or programs and the advertising to the public of the
111 services of such schools.

112 [(d)] (g) It shall be considered a violation of section 36a-53a if a
113 licensee files an application for registration of an originator with
114 knowledge that such application contains a material misstatement by
115 an originator.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2007</i>	36a-486
Sec. 2	<i>October 1, 2007</i>	36a-488

Statement of Purpose:

To require first mortgage brokers and originators to obtain a certificate of completion from a school approved by the Banking Commissioner of at least twelve classroom hours of study covering Connecticut and federal lending laws.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]